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- Chinese Communist Party (CCP) ideology and political practice recognizes 1. five classes in contemporary Chinese society. These are: (1) Communists, (2) industrial labor, (3) peasants, (4) bourgeoise and intellectuals, and (5) national capitalists. Under the Communist coalition Government China, so say the Communists, is to be run by, and in the interest of these groups. The representatives of the various non-Communist groups associated with the CCP in the Government are increasingly aware that the Communists dominate the government to the exclusion of the other classes and that they deliberately exploit these classes. CCP policies toward these classes, and the reactions of these classes are described below.
- The policy of the CCP toward labor appears now to have as its major aim the organization of the national labor force for the sake of control, direction and exploitation. Labor employed in public enterprises, mainly public utilities. is openly critical of the new order. Union leaders have stated publicly that while they are in full accord with the Government's labor program, the standard of living has been reduced to a point where workers can no longer support their families and are poorer than under the Kuomintang. The Communists are responding to this by a large scale program of political indoctrination and by a large scale infiltration of young, amenable workers into public enterprises. Thus, older workers in these enterprises are losing their jobs; no other employment is found for them. The new workers often lack the technical skills of those they replace, and production tends to suffer. Loss of production exists despite longer working hours. The 8-hourday remains the standard, but overtime work is universally required. Pay for overtime is siphoned off by forced sales of government bonds.
- Labor in private enterprise made some gains following the Communist occupation of certain areas. Wages were raised and in many cases workers gained control and even ownership of factories and shops where they were employed. In recent months, lack of markets and loss of capital through taxation have forced the closure of many private enterprises. This process is known to labor, which tends more and more to side with the employer against the Government. In spite of intensive propaganda campaigns, the CCP, through its mismanagement

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of the national economy, has lost the support of industrial labor.

- The North China peasantry provided the mass basis for the post-war Communist Army. Through the war years and immediately thereafter, the peasant of northern China staunchly supported the CCP and aided it to the best of his ability. For the past year, discontent with the CCP has been growing in the North China countryside. The main causes are heavy, confiscatory grain taxes, failure of the Army to return North China conscripts to their homes and failure of the Government to furnish constructive aid in famine areas. Anti-Communist guerrilla activity, spontaneous, unorganized and sporadic, is beginning to appear in the North, even in areas which have been under Communist control for as long as a decade.
- 5. In southern and eastern China, the peasants generally oppose Communist land reforms and high taxation. In these areas land reforms have been mismanaged. CCP kan ou, in redistributing land, have dispossessed many small and middle landowners through lack of knowledge of the conditions of land tenure in the areas. The land tax in South China is generally assessed with little regard for the capability of the landowners to pay, and is uniformly exhorbitant. In these areas the standard of living of the peasant is declining sharply. The beasant's response to this treatment is to oppose local control with guerrilla warfare. Guerrilla movements, spontaneous and uncoordinated, are widespread throughout south and east China and the influence of the CCP in the countryside depends entirely on military force.
- 6. On the five-starred flag of the People's Government, the bourgeoise and the intellectuals share one star. Although the Communists continue to appear to make great efforts to win over these groups, the Communists really regard them with vast mistrust. The Chinese bourgeoise have their economic main base in small business, the rental of real property and the practice of various professions. The CCP is seeking to destroy these bases. Small business is being taxed out of existence. Real property, very heavily taxed, is almost impossible to rent since purchasing power is generally declining; its owners are forced to sell it at distress prices, generally to government officials, who are almost alone in the ability to make such purchases. Property owners are told that they must work to eat, but have great difficulty in finding jobs. The income of the average professional man is declining. Few persons in this class can satisfy the authorities as to their political reliability to the point where they can find remunerative employment.
- 7. The intellectual class is having increasing difficulty finding employment, and there is a marked decline in the number of such persons in responsible positions. All intellectuals must, of course, pass through indoctrination courses, but this does not guarantee a job. Intellectuals employed by the CCP during the early stages of the occupation of China are gradually being displaced. Some of them are totally unemployed, while others have been assigned to minor tasks in out of the way places. It is only the very young intellectual, who has completed his regular schooling in Communist controlled schools, who can be at all sure of a career.
- 8. In the earlier stages of the occupation, the CCP had the cooperation of many in the "national capitalist" group, who sought to save their holdings. All such persons are now aware of the fact that the Communists are seizing their enterprises, mainly by extortionate taxation, as fast as possible. This process has gone further in Manchuria and North China than elsewhere in the country; it has recently been accelerated in Shanghai. The Communists regard Shanghai as the base of "international capitalism" in China, and the participation of the native Shanghai capitalists in international capitalism as fixed and irrevocable. For this reason, and because of plans to move Shanghai's industry to militarily Lafensible areas in the Northwest and Nanchuria, the CCP intends to reduce Shanghai to the status of a trading port. Unlike the peasant, the capitalist is resigned to his fate, and sees no way out of his predicament.

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